



Forum on Financing Disaster Recovery

ABAG

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Presentation Outline

- n Public Recovery Financing System

- n Case Studies:

- Red River Flood, Grand Forks, ND, 1997
- Hurricane Katrina, New Orleans, LA, 2005

- n Concluding Remarks

Acknowledgments

- n Claire Rubin, Editor, "Emergency Management: The American Experience, 1900 - 2005," published by Public Entity Risk Institute, 2007 (www.riskinstitute.org)
- n Strategic Issues Team, U.S. Government Accountability Office (GAO)
- n Federal Emergency Management Agency
- n U.S. Department of Housing and Community Development
- n Louisiana Recovery Authority (www.lra.la.gov)
- n City of New Orleans, 2008 Annual Budget (www.cityofno.com)
- n City of Grand Forks, ND

Defining Disaster Recovery

- n** *Recovery is the return to normalcy post-disaster*
- n** But even a simple definition raises critical questions:
 - What was “normal” before the disaster?
 - Is restoring or replacing that which existed before the disaster really wise?
 - How do you know when the process has been completed?
- n** So, how does local government balance and finance, business as usual, with the post-disaster needs?

Public Disaster Recovery Financing

- n Current “public” system evolved largely in response to previous disasters
- n Both a top-down and a bottom-up system
- n Lack a cohesive system for financing and managing large-scale and long-term disaster recovery
- n Current key elements:
 - FEMA Public Assistance (PA) program
 - Community Development Block Grants (U.S. Department of Housing and Urban Development)
 - (New) FEMA ESF-14 planning

FEMA PA Program

- n Specified under the 1988 Stafford Act
- n FEMA provides grants to repair or replace disaster-damaged, publicly-owned facilities.
 - Restores to pre-disaster condition.
 - Pays 75% of federal share if facility is replaced in different way or different location.
 - Local governments must pay first, then seek reimbursement.
 - Based on “documented actual costs.”

FEMA PA Program

- n FEMA only pays 75% of the reconstruction cost, local/state governments must pay the rest.
- n But federal government can decide to increase their share.
 - Federal decision to pay 100% for Gulf Coast recovery, June 2007 (nearly 2 years after disaster)

Community Development Block Grants (CDBG)—Provided by Congress

- n Congress may provide supplemental funding for “Disaster Recovery grants” where needed to help rebuild affected areas.
 - The funds are provided through an existing method assisting in community development: CDBG.
 - This is administered by Department of Housing and Urban Development (HUD), not by FEMA.

CDBG—Flexible Funds, but Some Restrictions

n Funds are flexible: CDBG can fund a broader range of recovery activities than most other programs.

- Although flexible, there are still many rules. And States can set the rules for local government use.
- For example, localities must use at least half of Disaster Recovery funds for activities that principally benefit low-and moderate-income persons (or areas with mostly low and moderate income persons).

CDBG Process

- n Local governments must develop and submit an Action Plan for Disaster Recovery before receiving CDBG Disaster Recovery grants.
 - The Action Plan must describe the needs, strategies, and projected uses of the Disaster Recovery funds.

CDBG History

- n More commonly used post-disaster since 1990s
- n Most years, Congress provides \$50 million to \$500 million in CDBG Disaster Recovery Funds, nationwide.
- n For Hurricanes Katrina and Rita, the total is now \$20 billion! So CDBG is now a major part of U.S. disaster recovery funding.

CDBG Examples

- n Buying damaged properties in a flood plain
- n Relocation payments for people and businesses displaced by the disaster
- n Debris removal not covered by FEMA
- n Repair of homes and buildings
- n Code enforcement
- n Homeownership assistance such as interest rate subsidies and loan guarantees
- n Helping businesses retain or create jobs
- n Planning and administration costs (maximum 20% of the grant)

Emergency Support Function #14

Long Term Community Recovery and Mitigation

- n This is new! Tested in two small towns after tornados in 2004; now being used on Gulf Coast.
- n ESF #14 is set up within the state's Joint Field Office. Federal-state partnership.
- n FEMA works with local governments to assess local needs and develop plans/projects for (non-FEMA) recovery funding.
- n Match the local projects with federal funding sources: "local-federal dating service"
- n Intended to coordinate activities of federal agencies

Red River Flood, Grand Forks, ND, April, 1997

n Population: 49,174 (1997)

n Land Area: 19 sq mi



Grand Forks, ND: The Aftermath

- n Nearly 80% of city inundated
 - Took nearly 5 weeks for floodwaters to recede
 - City Hall had water in basement for weeks
- n 11 buildings burned, destroyed 3 blocks
- n National media coverage; public outpouring; strong federal and state presence both before and after the levees breached
- n FEMA set up DFO and deployed more than 100 Community Relations Officers resulting in 30,000 door-to-door visits
- n HUD provided immediate technical assistance (first meeting in late May): housing, economics, land planning, and recovery management
- n Congressional/Senate delegations assisted city with D.C. lobbying tour, early June, carrying HUD-team prepared 'needs assessment' packet

Grand Forks' Post-Disaster Financing

- n Overall Loss: \$2 billion
- n National Flood Insurance Program paid 3,278 claims at \$102 million
- n SBA approved 8,290 loans totaling \$223 million
- n FEMA/North Dakota Individual and Family grants totaling \$14 million; 22,000 housing assistance grants in GF County totaling \$54.5 million
- n GF County received >\$40 million in FEMA Public Assistance
- n GF/EGF received a combined total of \$24.5 million in FEMA Hazard Mitigation Grant Program funds
 - 800 homes in Grand Forks buyout
 - Phase 1 buyouts used FEMA HMGP fund
 - Later phases used CDBG
- n Grand Forks received \$172 million in CDBG funds.
 - Within 2 months, federal commitment of \$54 million in CDBG funds
- n USACE allocated \$196 million for flood protection

Grand Forks' Recovery Management and Leadership

- n Mayor appointed "Tri-Chairs" for recovery: City's directors of Urban Development, Public Works, and Finance and Administration
- n City Council appointed Flood Response Committee as focal point for council
- n Mayor and City Council established Business Redevelopment Task Force to involve business community
- n City Council adopted Recovery Management Plan, July 7, 1997
- n U.S. Congressional delegation, Governor, U.S. HUD, FEMA, and State Department of Emergency Management were invaluable
- n Citizen participation and communications were in recovery plan's operational elements

The First Season of Recovery

Grand Forks' Flood Recovery Action Plan

Action Plan Period:

June 1 through November 1, 1997

(City Council adopted on July 7, 1997)

Prepared for:

The City Council for the
Citizens of Grand Forks, North Dakota

Prepared by:

Patricia Owens, Mayor
and the Grand Forks' Tri-Chairs for Recovery:
John O'Leary, Director of Housing and Urban Development
John Schmisak, Director of Finance and Administration
Ken Vein, City Engineer and Director of Public Works

An aerial photograph of New Orleans, Louisiana, showing the city skyline in the background and a vast area of flooding in the foreground. The foreground is filled with water, with many trees and some buildings partially submerged. A large ship is visible in the water near the city. The text "Case Study: Hurricane Katrina Hits Gulf Coast, August 29, 2005" is overlaid in white.

Case Study: Hurricane Katrina Hits Gulf Coast, August 29, 2005

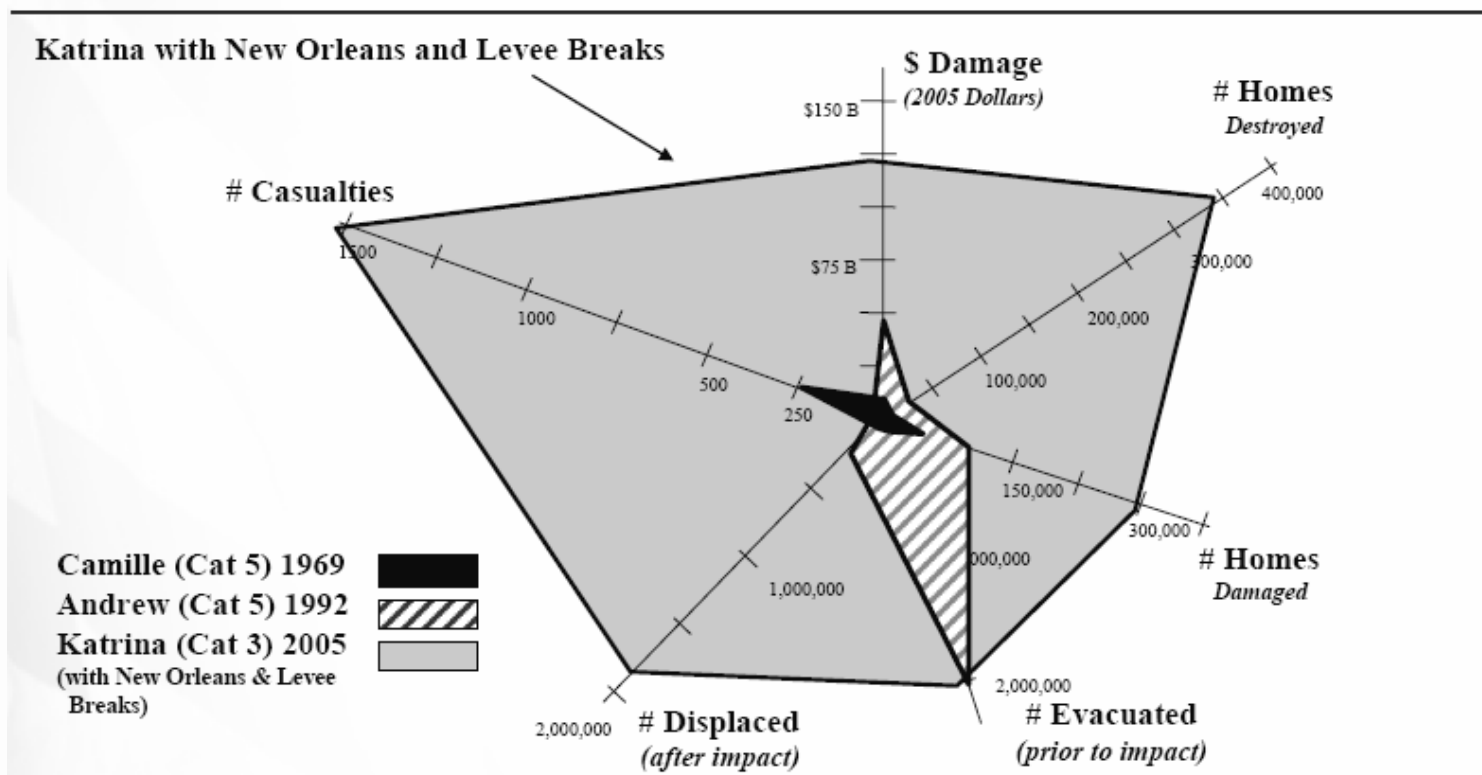
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Scope of the Katrina Catastrophe

- n Deaths: >1,800
- n Households damaged and displaced
 - >500,000 damaged or destroyed
 - >100,000 households with more than 4 feet of floodwater in New Orleans (50% of all New Orleans households)
 - 1.7 million registrants for FEMA's Individuals and Households programs
- n Employment: >400,000 jobs lost
- n Total reconstruction: >\$175 billion for hurricanes Katrina and Rita
 - >\$114 billion in federal assistance now committed
 - \$17.4 billion in National Flood Insurance Program claims
 - \$53.7 billion in private insured claims paid for 2005 storms; \$38.1 billion for Katrina

Scope of the Katrina Catastrophe

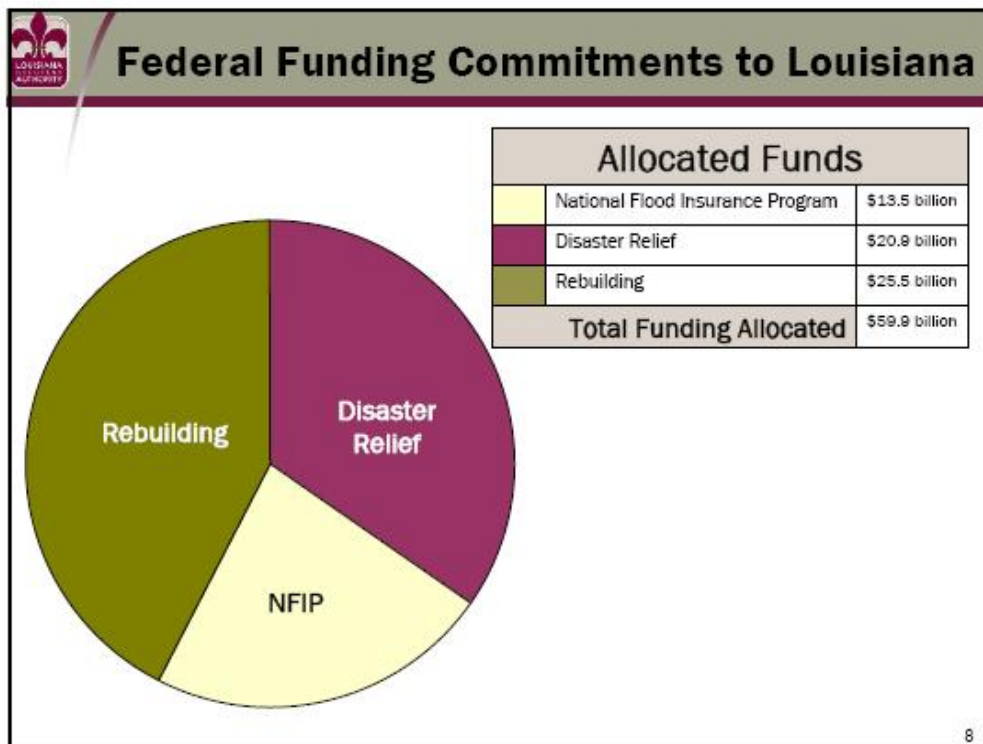
Background: The Impact of Hurricanes Camille and Andrew Compared to Hurricane Katrina



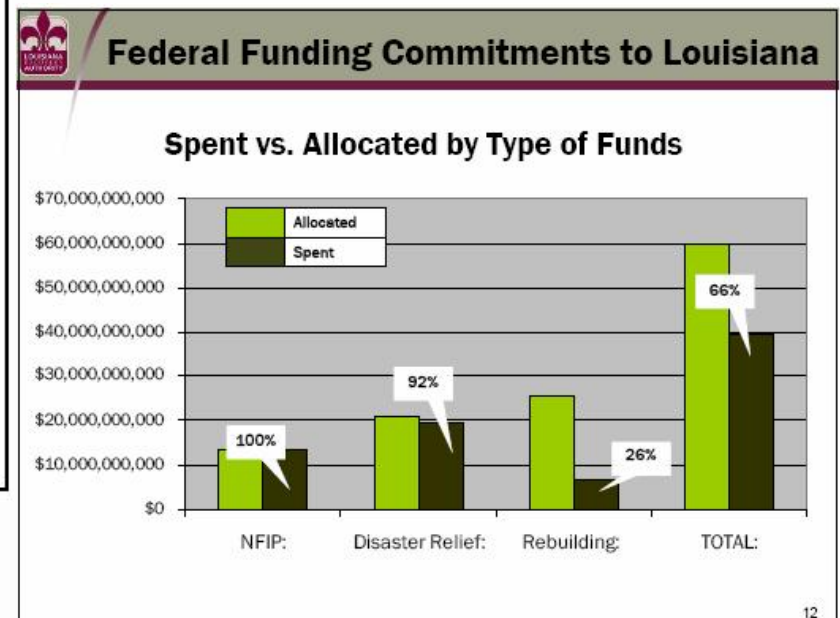
(source: GAO, June 2007)

Recovery Progress in Louisiana – 2 Years Later

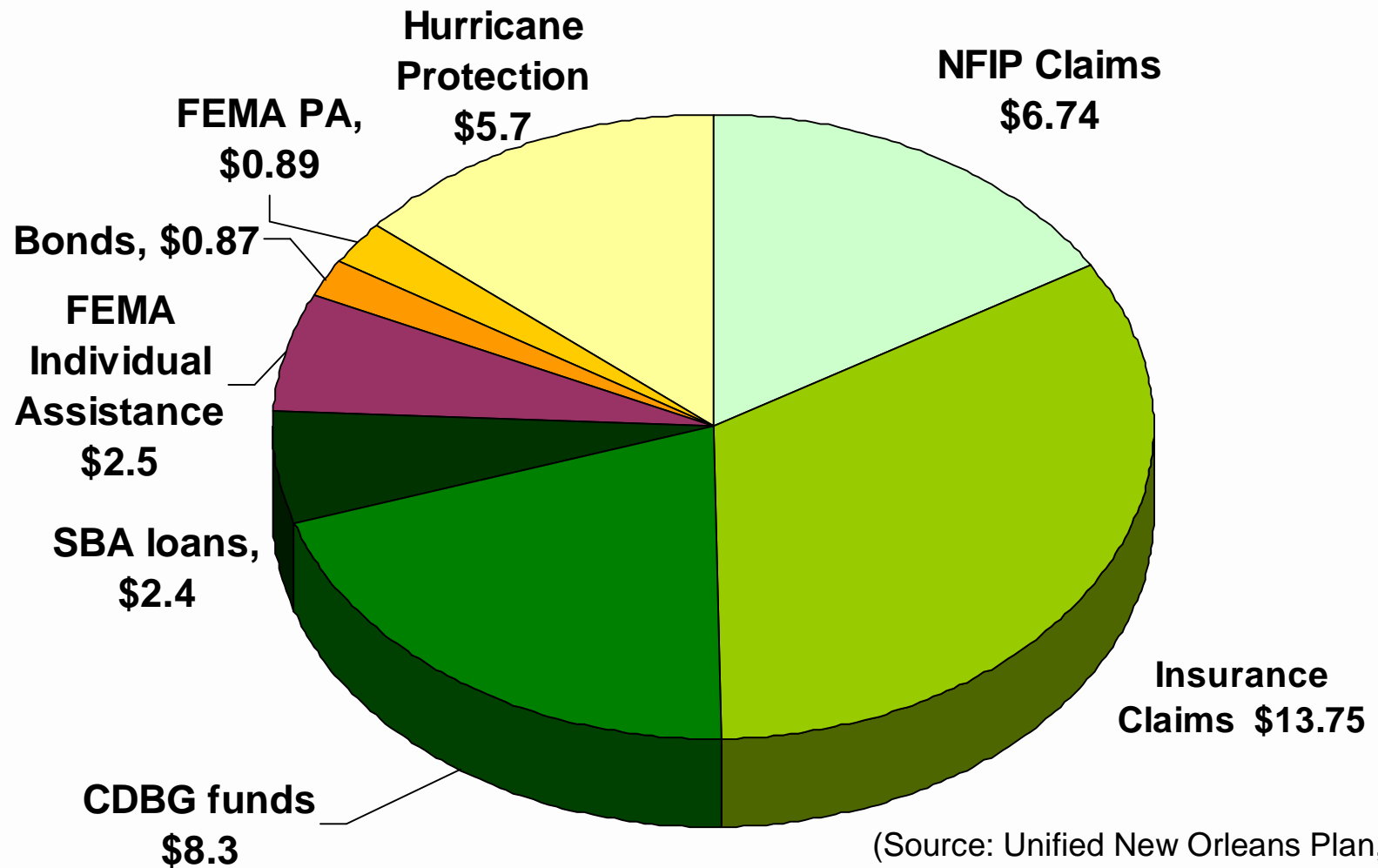
- Protracted delays in both allocation and spending of federal funding



(Source: LRA, 2007)



Public and Private Funds for Recovery in Orleans Parish Exceed \$40 billion

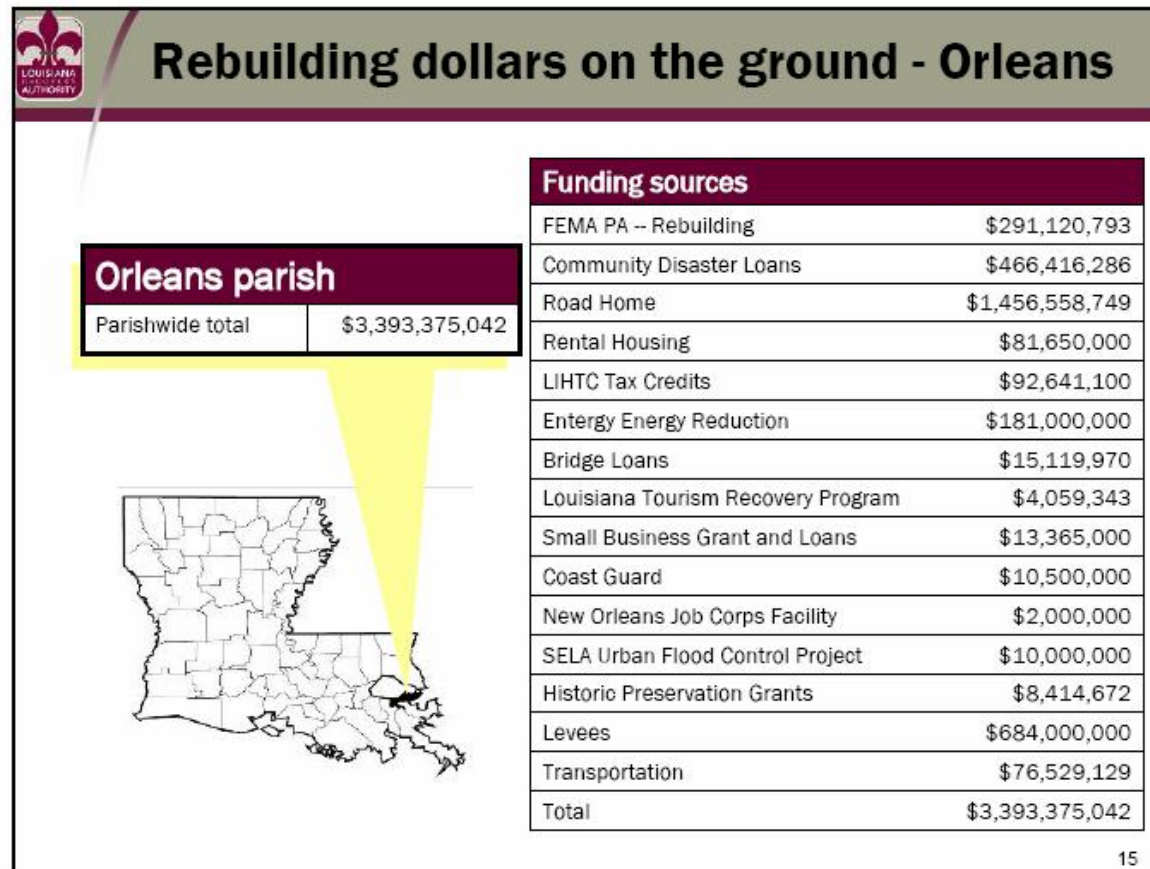


(Source: Unified New Orleans Plan, 2007)

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Recovery Progress in New Orleans – 2 Years Later

- n Much of local agency funds are in forms of loans or reimbursement-based



(Source: LRA, 2007)

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Recovery Progress in New Orleans – 2 Years Later

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n New Orleans Example:

\$114 billion federal funds committed to Gulf Coast



\$60 billion in federal funds committed to Louisiana



\$3.4 billion in federal funds to Orleans Parish



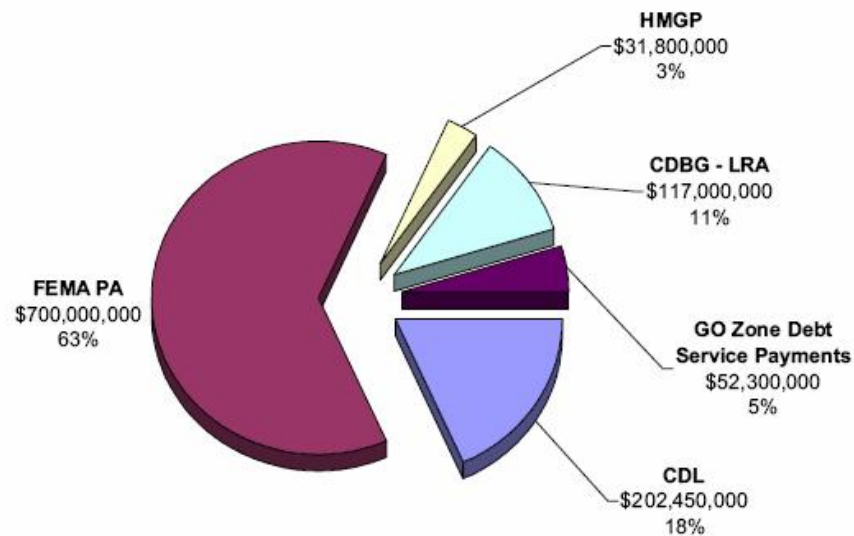
\$1.1 billion in federal funds expected to City of New Orleans



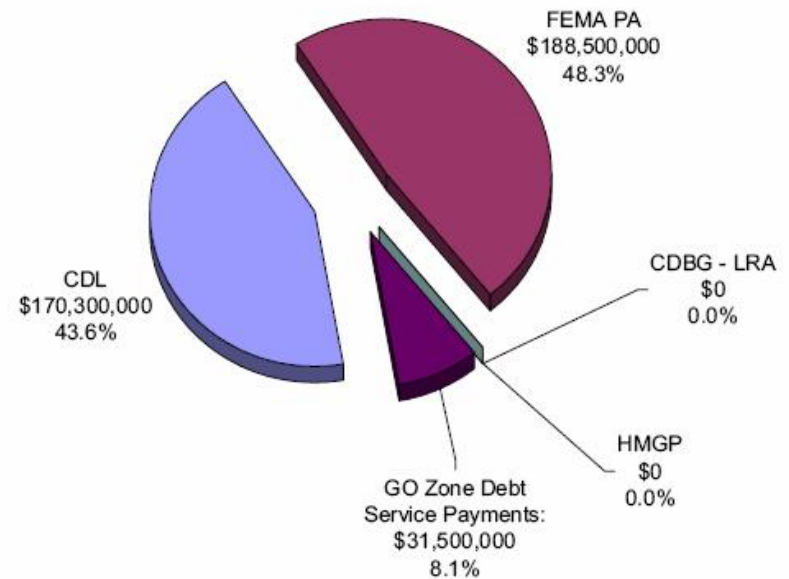
\$400 million in federal funds received and spent to date by the City

Recovery Progress in New Orleans – 2 Years Later

Federal Rebuilding Funds to New Orleans City Administration
Total Projection: \$1.1 Billion



Federal Rebuilding Funds to New Orleans City Administration
Received and Spent to Date: \$400 Million



(Source: City of New Orleans, 2007)

Concluding Remarks

- n U.S. disaster management system keeps evolving. The 1989 Loma Prieta experiences in the Bay Area will likely differ from future disaster experiences.
- n Increasing federal role in emergency management has increased the complexity of the system.
- n In the wake of Katrina, “reinvention” of federal system is underway
 - Need a long-term vulnerability reduction and recovery strategy at all levels of government
 - Lack consensus on ultimate federal funding necessary for recovery
 - Hurricane Katrina losses were a direct result of local governments’ ineffective and/or non-existent mitigation plans
- n Successful reinvention of such a complex system will require:
 - More deliberate and comprehensive analysis of the problem
 - Cooperative interaction of all levels of government, particularly local and state involvement

Concluding Remarks

- n** Things that local government can do before a disaster:
 - Adopt a recovery and reconstruction ordinance that defines roles and authorities (APA, 1998)
 - Take a risk management approach to valuing facilities and considering financing strategies
 - Document the condition, value, etc. of all public facilities
 - Consider cash-flow
 - Develop recovery and mitigation plans. Take a project-oriented approach to achieving betterment.
- n** Things that local government can do after a disaster:
 - Conduct a citywide damage assessment (both public and private property)
 - Develop a recovery action/management plan for running the recovery with a high-level but holistic view of the needs.
 - Designate leads for reimbursement; hire outside technical assistance with experience.
 - Advocate needs to state and federal legislators. Work together as a region; try hard not to compete as cities.

Thank You!